

Message Text

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22-12

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TAGS: AORG, AFIN, NATO, OECD

SUBJECT: COORDINATED ORGANIZATIONS-PENSION SCHEME FORMULA FOR
VALIDATION OF PAST SERVICE

REF: A. OECD PARIS 28791

B. TELECON REHFELD-USNATO 5 NOVEMBER 1975

SUMMARY: MISSION COMMENTS ON PENSION SCHEME PROBLEM TO BE
CONSIDERED IN OECD COUNCIL NOVEMBER 7. END SUMMARY

1. DUTCH REP ON CCC VAN FRANQUEMONT HAS ADVISED MISSION OFFICER
THAT, AS HE UNDERSTANDS IT, DUTCH POSITION FOR NOVEMBER 7
MEETING OECD COUNCIL ALLOWS FLEXIBILITY; I.E., DUTCH WILL
PROBABLY DROP THEIR SUPPORT FOR GERMAN POSITION ONLY IF AND
WHEN ALL OTHER SUPPORT WITHERS. HE SAYS DUTCH INSTRUCTIONS
ALLOW FOR FALL BACK POSITION IN SUPPORT OF CANADIANS AND THAT FOR
DUTCH REP ON OECD TO SUPPORT ARTICLE 27 "WOULD REQUIRE
CONSIDERABLE INTERPRETATIONS OF INSTRUCTIONS". HE FORESEES,
HOWEVER, THAT "POLITICAL CONSIDERATIONS" WILL BE TAKEN INTO
ACCOUNT IN ANY OECD COUNCIL DECISION ON THIS MATTER AND THAT
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THE CHOICE MAY NOT DEPEND MERELY UPON THE RELATIVE MERITS OF
THE ALTERNATIVES PRESENTED.

2. CANADIAN REP ON CCG (DUNCAL) HAS ADVISED MISSION OFFICER

THAT HIS ROUGH CALCULATIONS INDICATE THAT IF CANADIAN PROPOSAL WERE ADOPTED, OVERALL RESIDUE AFTER VALIDATION WOULD AMOUNT TO ABOUT HALF AS MUCH AS THE HYPOTHETICAL RESIDUE FOLLOWING ARTICLE 27 AS INTERPRETED BY SYG'S. HE BELIEVES THIS INFORMATION IS IMPORTANT SINCE DISCUSSIONS OF CANADIAN PROPOSAL IN RECENT CCG MEETINGS SUGGESTED THAT IT WOULD REQUIRE PAYMENT TO ORGANIZATIONS OF ALL OR NEARLY ALL OF THE PROVIDENT FUND HOLDINGS OF MOST EMPLOYEES VALIDATING PAST SERVICE. THEREFORE CANADIAN PROPOSAL AS A WHOLE WOULD LEAVE MORE RESIDUE TO EMPLOYEES THAN GERMAN PROPOSAL, AS WELL AS DISTRIBUTE SUCH RESIDUE MORE EVENLY, AND CANADIANS FEEL THAT WHEN THIS IS KNOWN THEIR PROPOSAL WILL GAIN MORE SUPPORT AS AN EQUITABLE COMPROMISE POSITION. ROUGH CANADIAN CALCULATIONS INDICATE HYPOTHETICAL RESIDUE ALL ORGANIZATIONS ABOUT 65 MILLION FRENCH FRANCS (14.5 MILLION DOLLARS) IN CONTRAST TO ABOUT 135 MILLION FRENCH FRANCS (30 MILLION DOLLARS) FOR SYG'S POSITION. THESE FIGURES ASSUME ALL EMPLOYEES VALIDATE AND ALL LOANS ARE RECONSTITUTED.

3. CCG CHAIRMAN MASSBERG SEES ARTICLE 27 AS IT STANDS AS REQUIRING INTERPRETATION IN ANY CASE. HE CONSIDERS SYG POSITION AND CANADIAN POSITION AS DIFFERENT INTERPRETATIONS. HE ALSO NOTES THAT WITHIN THE SYG POSITION THERE SEEM TO BE TWO INTERPRETATIONS SINCE FOR OECD EMPLOYEES COST OF VALIDATION WOULD BE COMPUTED ON BASIS OF PROVIDENT FUND UNITS OF ACCOUNT NAMELY FRENCH FRANCS FOR ALL EMPLOYEES REGARDLESS OF COUNTRY OF SERVICE OR NATIONAL CURRENCY OF SALARY, WHEREAS FOR NATO EMPLOYEES COST OF VALIDATION WOULD BE COMPUTED ON BASIS OF NATIONAL CURRENCY OF SALARY. MASSBERG PERSONALLY DOES NOT FAVOR GERMAN PROPOSAL BECAUSE IT WOULD REQUIRE MODIFICATION OF ARTICLE 27 OF THE 94TH REPORT OF THE CCG, WHEREAS IN HIS OPINION THE CANADIAN PROPOSAL WOULD NOT, AND BECAUSE IT WOULD RETAIN THE SAME INEQUITIES IN RESIDUE DISTRIBUTION AS THE POSITION OF THE SYG'S MERELY SCALED DOWN TO ONE THIRD WHILE THE CANADIAN PROPOSAL WOULD RECTIFY DISTRIBUTION INEQUITIES.

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4. AS FOR THE POSSIBILITY OF COMPUTING COST OF VALIDATION ON THE BASIS OF THE UNITS OF ACCOUNT USED BY THE RESPECTIVE PROVIDENT FUNDS (E. G., FRENCH FRANCS AT OECD AND INTERNATIONAL ACCOUNTING UNITS-IAU'S-AT NATO) OR SIMILAR BASIS (AS SUGGESTED BY OECD PARIS 26330, PARA 4), MASSBERG FELT THIS WOULD BE PREFERABLE TO THE SYG POSITION AND WORTHY OF CONSIDERATION, BUT HE WAS STILL SOMEWHAT CONCERNED OVER THE ADVANTAGE THAT IT WOULD GIVE OECD EMPLOYEES OVER NATO EMPLOYEES, PARTICULARLY AND OBVIOUSLY NATO EMPLOYEES IN FRANCE ON HAWK, EUROPEAN PIPELINE, ETC. HOWEVER THIS ADVANTAGE WOULD APPARENTLY BE FAR LESS THAN THE DIFFERENCES IN TREATMENT AMONG NATO EMPLOYEES SERVING IN VARIOUS COUNTRIES WHICH WOULD RESULT FROM THE POSITION OF THE SYG'S. TO CITE THE

EXTREME CASES, THE POSITION OF THE SYG'S WOULD LEAVE AN EMPLOYEE IN TURKEY WITH OVER HALF OF HIS NATO PROVIDENT FUND HOLDINGS IN RESIDUE, BUT WOULD LEAVE A MEMBER OF THE SAME FUND, EMPLOYED IN GERMANY, WITH SIMILAR GRADE AND YEARS OF SERVICE, WITH LESS THAN FIVE PERCENT OF HIS HOLDINGS, OR WITH NOTHING IN RESIDUE.

5. MISSION BELIEVES IT WOULD BE UNFORTUNATE IF THE OECD COUNCIL WERE TO REJECT THE CANADIAN PROPOSAL WITHOUT FURTHER INFORMATION DEVELOPING THE ROUGH CALCULATIONS CITED IN PARA 2 OR TO COME TO A DECISION WHICH EXCLUDES THE POSSIBILITY OF APPLYING FORMULA OUTLINED OECD PARIS 26330 PARA 4 OR SIMILAR OR RELATED FORMULA WHICH WOULD LEAVE LESS RESIDUE AND ALSO DISTRIBUTE SUCH RESIDUE MORE EQUITABLY THAN THE ARTICLE 27 FORMULA AS INTERPRETED BY THE SYG'S. EVEN THOUGH IN PARIS THERE IS CONSENSUS THAT THE VALIDATION ISSUE WAS ALREADY SETTLED BY EARLIER COUNCIL DECISION, AT NATO DELEGATIONS OF BELGIUM, CANADA, UK, GERMANNY, AND THE NETHERLANDS ARE STILL INDICATING PREFERENCE FOR ALTERNATIVES TO SYG/FRENCH INTERPRETATION OF ARTICLE 27.
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